

# Scicom (MSC) (SCIC MK)

AI-Driven Inflection Year Backed By Resilient BPO And GovTech Base

## Highlights

- Scicom's landmark AI-enabled TM contract accelerates its shift toward scalable, higher-margin Agentic AI solutions, moving beyond traditional call centres. This competency also positions it strongly for new GovTech opportunities, potentially securing further concessions.
- The current EMGS arrangement, backed by fee revision and robust, high-volume student inflows, provides a solid foundation for the group's overall business.
- Trading at 10x annualised 1QFY26 PE with a potential dividend yield of 7.1-8.6%, the stock is at a deep discount of 55% compared to local selected IT software stocks, supported by strong capital management and high cash generation.

## Analysis

- Diversified BPO & GovTech solutions provider.** Scicom (MSC) is a leading Malaysian provider of business process outsourcing (BPO), digital solutions, and e-Government services, serving multinational clients across telco, airlines, high-tech consumer, and public sector verticals. Its core competencies include managing large-scale, high-complexity customer interaction workflows, mission-critical processing tasks, and software development, supported by 25 years of operational experience. Beyond BPO execution, Scicom builds customised workflow platforms, multi-channel communication systems, and digital processing engines, an integrated model that differentiates it from traditional call-centre operators and positions the company within the broader GovTech and enterprise digitalisation space.
- AI-led transformation with TM as a landmark win.** A major catalyst for Scicom's next growth phase is its landmark AI-enabled BPO contract with Telekom Malaysia (TM). Scicom secured the award by demonstrating its ability to embed cost-effective agentic AI modules into large-scale call centre operations, enabling TM to outsource its entire contact centre ecosystem. Revenue for this contract will be tied to the cost savings achieved by TM, aligning incentives and creating a scalable, higher-margin model for Scicom.

## Key Financials

| Year to 30 Jun (RMm)          | 2021 | 2022  | 2023  | 2024  | 2025  |
|-------------------------------|------|-------|-------|-------|-------|
| Net turnover                  | 216  | 265   | 245   | 224   | 199   |
| EBITDA                        | 51   | 62    | 61    | 52    | 45    |
| Operating profit              | 34   | 44    | 43    | 33    | 26    |
| Net profit (rep./act.)        | 26   | 31    | 32    | 24    | 20    |
| Net profit (adj.)             | 26   | 31    | 32    | 24    | 20    |
| EPS (sen)                     | 7.3  | 8.9   | 9.1   | 6.9   | 5.7   |
| PE (x)                        | 19.6 | 16.0  | 15.6  | 20.7  | 24.8  |
| P/B (x)                       | 4.6  | 4.4   | 4.3   | 4.3   | 4.3   |
| Dividend yield (%)            | 3.9  | 4.6   | 5.6   | 5.1   | 3.9   |
| Net margin (%)                | 11.9 | 11.9  | 13.2  | 10.9  | 10.2  |
| Net debt/(cash) to equity (x) | 0.1  | (0.0) | (0.1) | (0.2) | (0.3) |
| Interest cover (x)            | N/A  | N/A   | 23.5  | 22.9  | 25.8  |
| ROE (%)                       | 24.4 | 28.3  | 27.9  | 20.8  | 17.5  |

Source: Scicom, Bloomberg, UOB Kay Hian

## NOT RATED

|              |        |
|--------------|--------|
| Share Price  | RM1.42 |
| Target Price | n.a.   |
| Upside       | n.a.   |

## Analyst(s)

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## Stock Data

|                                |                               |
|--------------------------------|-------------------------------|
| <b>GICS Sector</b>             | <b>Information Technology</b> |
| Bloomberg ticker               | SCIC MK                       |
| Shares issued (m)              | 355.5                         |
| Market cap (RMm)               | 504.7                         |
| Market cap (US\$m)             | 122.7                         |
| 3-mth avg daily t'over (US\$m) | 0.2                           |

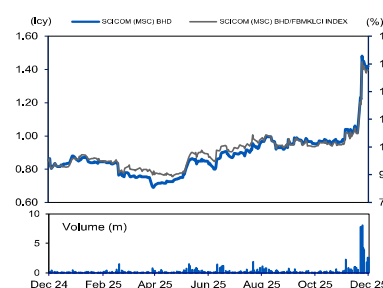
## Price Performance (%)

|                  |      |      |      |                |
|------------------|------|------|------|----------------|
| 52-week high/low |      |      |      | RM1.49//RM0.68 |
| 1mth             | 3mth | 6mth | 1yr  | YTD            |
| 47.9             | 50.3 | 67.1 | 66.1 | 70.1           |

## Major Shareholders

|                         |          |
|-------------------------|----------|
|                         | <b>%</b> |
| Ariyanayakam Leo Suresh | 26.32    |
| Menon Krishnan C K      | 5.98     |
| Marshall Augustus Ralph | 4.92     |

## Price Chart



Source: Bloomberg

## Company Description

Scicom (MSC) Berhad provides comprehensive digital transformation solutions, ranging from technical infrastructure to software implementation, process automation, digital marketing strategies, and customer engagement models.

- Its proprietary voice AI, workflow automation and on-premise AI architecture offer a strong value proposition for enterprises that cannot place sensitive datasets in public cloud environments. Importantly, this AI framework is not limited to TM; if successfully deployed, it can be replicated across other telcos and potentially extended into adjacent industries. This deal validates Scicom's strategic pivot from traditional manpower-based outsourcing toward scalable, AI-driven enterprise solutions. Being well-versed in the airline industry, Scicom can leverage this expertise to capture additional opportunities within this sector, further expanding its digital solutions footprint.
- **EMGS fee revision and student inflows drove strong 1QFY26 performance.** Scicom delivered a strong 1QFY26 performance, with net profit rising 57% yoy to RM12.3m, primarily supported by the foreign student visa processing concession (EMGS). Earnings were significantly boosted by the sizeable fee revision of more than 50% as well as steady growth in international student inflows. Management highlighted that Malaysia is benefitting from a diversion of East Asia students, as stricter policies and geopolitical tensions in traditional Western destinations such as the UK and US have made those markets less accessible. Malaysia's proximity to East Asia also provides a cost-effective and convenient alternative, further supporting demand. According to the Ministry of Higher Education, Malaysia aims to host 250,000 international students by 2025, up from 155,986 students in 2024.
- **Unlocking value with Agentic AI.** Scicom's agentic AI modules have the potential to fundamentally transform large-scale call centre operations. For instance, in a hypothetical call centre with 1,000 agents earning RM4,000 per month, total monthly salaries would amount to RM4m. By deploying agentic AI to automate routine queries, optimise workflows, and assist human agents, the company could reduce headcount needs by at least 50% while maintaining or even improving service levels. This translates into direct salary cost savings of RM2m per month, before considering additional gains from faster response times, improved customer satisfaction, and higher-value upselling. Beyond cost efficiencies, agentic AI can scale rapidly across multiple clients and industries, turning a traditional labour-intensive BPO model into a high-margin, technology-driven growth engine.

## Valuation/Recommendation

- **Non-rated.** Trading at 10x annualised 1QFY26 PE, Scicom may appear to command a premium over global BPO peers with comparable AI initiatives (eg Teleperformance and Concentrix), but it still trades at a discount to average selected local IT names. Assuming a 20% discount to the average selected IT software names' forward PE valuation of 18x on FY26F earnings, Scicom would imply a target price of RM2.43.
- **Dividend.** Dividend visibility has also improved, with DPS rising to 3 sen in 1QFY26 (1QFY25: 2 sen). That said, a potential FY26 DPS of 10-12 sen, would translate into a compelling net dividend yield of 7.1-8.6%, reinforcing management's confidence in a robust FY26 trajectory.

## Scicom Businesses



Source: Bloomberg

## Growth Engines



Source: Bloomberg

### Profit & Loss

| Year to 30 Jun (RMm)          | 2022 | 2023 | 2024 | 2025 |
|-------------------------------|------|------|------|------|
| <b>Net turnover</b>           | 265  | 245  | 224  | 199  |
| EBITDA                        | 62   | 61   | 52   | 45   |
| Deprec. & amort.              | 18   | 18   | 19   | 19   |
| EBIT                          | 44   | 43   | 33   | 26   |
| Associate contributions       | N.A. | N.A. | N.A. | N.A. |
| Net interest income/(expense) | 0    | 1    | -0   | -1   |
| <b>Pre-tax profit</b>         | 42   | 42   | 33   | 27   |
| Tax                           | -11  | -10  | -9   | -6   |
| Minorities                    | -0   | -0   | -0   | 0    |
| <b>Net profit</b>             | 31   | 32   | 24   | 20   |
| Net profit (adj.)             | 31   | 32   | 24   | 20   |

### Balance Sheet

| Year to 30 Jun (RMm)                  | 2022 | 2023 | 2024 | 2025 |
|---------------------------------------|------|------|------|------|
| Fixed assets                          | 52   | 45   | 35   | 23   |
| Other LT assets                       | 14   | 15   | 13   | 17   |
| Cash/ST investment                    | 37   | 36   | 44   | 50   |
| Other current assets                  | 62   | 67   | 63   | 55   |
| <b>Total assets</b>                   | 165  | 162  | 155  | 145  |
| ST debt                               | 8    | 9    | 9    | 10   |
| Other current liabilities             | 17   | 13   | 14   | 12   |
| LT debt                               | 26   | 21   | 14   | 5    |
| Other LT liabilities                  | 2    | 2    | 4    | 3    |
| Shareholders' equity                  | 114  | 118  | 116  | 117  |
| Minority interest                     | -2   | -2   | -2   | -1   |
| <b>Total liabilities &amp; equity</b> | 165  | 162  | 155  | 145  |

### Cash Flow

| Year to 30 Jun (RMm)                        | 2022 | 2023 | 2024 | 2025 |
|---------------------------------------------|------|------|------|------|
| <b>Operating</b>                            | 60   | 55   | 58   | 52   |
| Pre-tax profit                              | 42   | 42   | 33   | 27   |
| Tax                                         | -9   | -11  | -10  | -8   |
| Deprec. & amort.                            | 18   | 18   | 19   | 19   |
| Working capital changes                     | -3   | -5   | 6    | 6    |
| Other operating cashflows                   | 11   | 12   | 10   | 9    |
| <b>Investing</b>                            | 3    | -14  | -9   | -12  |
| Capex (growth)                              | -8   | -4   | -3   | -3   |
| Investments                                 | 0    | 0    | 0    | 0    |
| Proceeds from sale of assets                | 0    | 0    | 0    | 0    |
| Others                                      | 11   | -10  | -6   | -10  |
| <b>Financing</b>                            | -34  | -39  | -36  | -30  |
| Dividend payments                           | 0    | 0    | 0    | 1    |
| Issue of shares                             | 0    | 0    | 0    | 1    |
| Proceeds from borrowings                    | 0    | 0    | 0    | 1    |
| Loan repayment                              | 0    | 0    | 0    | 1    |
| Others/interest paid                        | 0    | 0    | 0    | 1    |
| <b>Net cash inflow (outflow)</b>            | 29   | 3    | 13   | 10   |
| <b>Beginning cash &amp; cash equivalent</b> | 1    | 29   | 33   | 48   |
| Changes due to forex impact                 | 0    | 1    | 2    | 3    |
| <b>Ending cash &amp; cash equivalent</b>    | 29   | 33   | 48   | 61   |

### Key Metrics

| Year to 30 Jun (%)        | 2022  | 2023  | 2024   | 2025   |
|---------------------------|-------|-------|--------|--------|
| <b>Profitability</b>      |       |       |        |        |
| EBITDA margin             | 23.5  | 24.9  | 23.3   | 22.8   |
| Pre-tax margin            | 15.9  | 17.1  | 14.9   | 13.6   |
| Net margin                | 11.9  | 13.2  | 10.9   | 10.2   |
| ROA                       | 19.0  | 19.8  | 15.3   | 13.6   |
| ROE                       | 28.3  | 27.9  | 20.8   | 17.5   |
| <b>Growth</b>             |       |       |        |        |
| Turnover                  | 22.6  | (7.4) | (8.7)  | (11.3) |
| EBITDA                    | 22.0  | (2.0) | (14.6) | (13.3) |
| Pre-tax profit            | 26.3  | (0.4) | (20.4) | (19.4) |
| Net profit                | 21.8  | 2.8   | (24.7) | (16.5) |
| Net profit (adj.)         | 21.8  | 2.8   | (24.7) | (16.5) |
| EPS                       | 21.9  | 2.8   | (24.7) | (16.5) |
| <b>Leverage</b>           |       |       |        |        |
| Debt to total capital     | 23.5  | 20.5  | 16.8   | 11.2   |
| Debt to equity            | 30.7  | 25.8  | 20.2   | 12.6   |
| Net debt/(cash) to equity | (2.1) | (5.2) | (18.3) | (30.9) |
| Interest cover            | N/A   | 23.5  | 22.9   | 25.8   |

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